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## BOARD of TRUSTEES

### Audit, Risk and Compliance Committee

February 6, 2025

#### **Committee Members:**

Trustee Malcomb D. Coley, Sr. (Chair)  
Trustee Frances “Perry” Chappell  
Trustee Jeffrey D. Clark  
Trustee Robert S. Rippy  
Trustee Yousry Sayed  
Trustee Jimmy T. Tate

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#### **AGENDA**

- |      |   |                              |
|------|---|------------------------------|
| (1)  | <b>Call to Order</b>  | <b>Trustee Malcomb Coley</b> |
| (2)  | <b>Statement from State Government Ethics Act</b>                                 | <b>Trustee Malcomb Coley</b> |
| (3)  | <b>Approval of Minutes from October 24, 2024</b>                                  | <b>Trustee Malcomb Coley</b> |
| (4)  | <b>Annual Review and Approval of Audit, Risk and Compliance Committee Charter</b> | <b>Kelly Mintern</b>         |
| (5)  | <b>Annual Review and Approval of Internal Audit Charter</b>                       | <b>Kelly Mintern</b>         |
| (6)  | <b>Internal Audit Update</b>  | <b>Kelly Mintern</b>         |
| (7)  | <b>Enterprise Risk Management Update</b>  | <b>Kristy Burnette</b>       |
| (8)  | <b>FY24 UNCW Financial Audits Update</b>  | <b>Jennifer Leung</b>        |
| (9)  | <b>Old Business</b>   | <b>Trustee Malcomb Coley</b> |
| (10) | <b>New Business</b>   | <b>Trustee Malcomb Coley</b> |
| (11) | <b>Adjournment</b>  | <b>Trustee Malcomb Coley</b> |

## **AGENDA ITEM**

Approval of Minutes from October 24, 2024

**Situation:**

Approval of the minutes from the October 24, 2024 committee meeting.

**Background:**

N/A

**Assessment:**

N/A

**Action:**

This item requires a vote by the committee.

**Supporting Documentation:**

Draft Audit, Risk and Compliance Committee Minutes from the October 24, 2024 Meeting

DRAFT

Minutes of the Audit, Risk and Compliance Committee  
Board of Trustees  
The University of North Carolina Wilmington  
October 24, 2024, 10:30 a.m.

The Audit, Risk and Compliance Committee held its regular quarterly meeting on October 24, 2024. Acting Chair Fisher called the meeting to order and read the required ethics statement. No conflicts were identified. Committee members in attendance were Ms. Chappell, Mr. Clark, Mr. Rippy, Dr. Sayed, Mr. Tate, as well as other Trustees.

The meeting began with review and approval of minutes from the meeting of August 1, 2024.

Chief Audit Officer Kelly Mintern provided an update on the Office of Internal Audit. She first discussed Internal Audit's annual report for fiscal year 2024, sharing an overview of the office's work and metrics relating to the office's productivity.

Ms. Mintern also provided an overview of the work completed by the office for the quarter ending September 30, 2024. Internal Audit completed one investigation, one audit, two follow-up audits, and one consulting engagement. At the end of the quarter, there were two pending engagements, including the Friends of UNCW financial audit and Disability Resource Center review. She also shared an update on outstanding audit findings, provided a status update on the FY25 audit plan, and shared other upcoming work for the office, which included recruitment efforts and implementation of the new Global Internal Audit Standards.

The last presenter was Mr. Terrell Nicholson who presented UNCW's 2024 Annual Security and Fire Safety Reports. He first provided a summary of the annual fire safety report. He discussed the drills and educational programs related to fire safety and presented that there were no fire incidents in 2023.

Mr. Nicholson then discussed the annual security report, providing an overview of Clery Act reportable crimes, the definition of Clery Act geography, and training and programming UNCW has in place in accordance with the Clery Act. He discussed the specific crime statistics for 2023 for main campus, CMS, and D.C. Virgo.

There being no further business, the meeting was duly adjourned.

## **AGENDA ITEM**

Annual Review and Request for Approval of Audit, Risk and Compliance Committee Charter by  
Kelly Mintern, Chief Audit Officer

### **Situation:**

Review and request for approval of the UNCW Audit, Risk and Compliance Committee Charter

### **Background:**

As outlined within UNCW Policy 01.100, Board of Trustees Procedural Policy, the purpose, organization, procedures, and duties of the Committee are stated in the Committee Charter adopted by the Board of Trustees, which will be reviewed annually by the Committee. Proposed revisions to the Charter will be recommended to the Board by the Committee. In its governance responsibilities, the Audit, Risk and Compliance Committee approves the committee charter.

### **Assessment:**

N/A

### **Action:**

This item requires a vote by the committee, with a vote by the full Board of Trustees.

### **Supporting Documentation:**

UNCW Audit, Risk and Compliance Committee Charter  
Internal Audit Update PowerPoint Presentation



## UNCW Audit, Risk and Compliance Committee Charter

Effective: February 6, 2025

### I. Purpose

The purpose of the Audit, Risk and Compliance Committee (ARCC) is to assist the Board of Trustees in fulfilling its oversight responsibilities related to:

- Adequacy and effectiveness of systems of internal control
- Integrity of the university's financial statements and other financial reporting
- Independence and performance of the external and internal audit functions
- Sufficiency of the university's process to manage enterprise, including business, legal, reputational, strategic, and financial, risk
- Adequacy of the university's process to facilitate and ensure legal, regulatory, and ethical compliance
- Compliance with audit and compliance guidelines adopted by the UNC Board of Governors, the UNC System Office, and the North Carolina Office of Internal Audit

The ARCC's duties do not replace or duplicate established management responsibilities and delegations. Instead, the ARCC serves in an advisory capacity to guide the direction of management's actions and sets broad policy for ensuring accurate financial reporting, sound risk management, and ethical behavior.

### II. Organization

1. **Charter.** At least annually, this charter shall be reviewed and reassessed by the ARCC and any proposed changes shall be submitted to the Board of Trustees for approval.
2. **Members.** The ARCC shall be a standing committee of the Board of Trustees. The number of members is set within the Board of Trustees Procedural Policies. Each ARCC member must be independent of management of the university and free of any relationship that would impair such independence. Members may not receive consulting, advising or other fees from the university. If possible, at least one member should have financial expertise, and the other members should be able to understand financial information and statements. Financial expertise includes: an understanding of generally accepted accounting principles and financial statements; experience in applying such principles; experience in preparing, auditing, analyzing or evaluating financial information; experience with internal controls and procedures for financial reporting; or an understanding of the audit, risk and compliance committee function.

3. **Meetings.** The ARCC shall meet no fewer than four (4) times a year. The ARCC will invite members of management, auditors, university legal counsel, and others to attend the meetings and to provide pertinent information as necessary or requested. The Committee will receive reports regarding internal audit, enterprise risk management, compliance, ethics, and information technology governance and security. The ARCC may request to meet or consult privately with the Chief Audit Officer (CAO) from the Office of Internal Audit and/or the General Counsel. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of the meetings shall be maintained.

### III. Responsibilities

The following shall be the principal duties and responsibilities of the Committee as prescribed by applicable state and UNC System Guidelines and the *Global Internal Audit Standards* published by the Institute of Internal Auditors:

#### 1. Internal Controls

- A. **Monitor Controls.** Monitor internal control systems at the university through reports of the activities of the internal and external auditors. Obtain assurance that the university is performing self-assessments of operating risks and evaluations of internal control on a regular basis.
- B. **Internal Control Review.** Consider the adequacy and effectiveness of the university's business, financial, and information systems controls.
- C. **Whistleblowing Procedures.** Review the university's mechanisms for receiving, resolving, and retaining records of complaints. Receive briefings from management or the CAO regarding any significant complaints or misuse of State property.

#### 2. Financial Reporting

- A. **External Communications.** Receive and review the audit engagement letter, annual financial audit, and other significant audit related communications from the Office of the State Auditor and any other external auditors as applicable. The Office of the State Auditor will be directed to copy the ARCC on any such communications. For any audit finding contained within a report or management letter issued by the Office of the State Auditor, review the university's corrective action plan and receive a report once corrective action has taken place.
- B. **Consultations with Auditors.** Be available to meet with the State Auditor, his/her staff, and other external auditors for consultation purposes or to discuss the auditor's judgments about the quality, not just the acceptability, of any of the university's accounting principles and underlying estimates in preparation of its financial statements.
- C. **Financial Reporting.** Receive information on significant management initiatives involving financial reporting matters.

#### 3. External and Internal Audit Functions

- A. **Organizational Reporting.** Ensure that the CAO reports to the Chancellor with a clear, recognized reporting relationship to the Committee.
- B. **Internal Audit Resources.** Review and ensure the Office of Internal Audit has appropriate budget and staff resources.
- C. **Internal Audit Operations.** Review and approve the Internal Audit Charter, annual risk-based internal audit plan (including any significant changes to the plan), and resource plans. Receive communications from the CAO about the internal audit function and its performance relative to

its plan. Ensure a quality assurance and improvement plan has been established and review the results annually. Confirm with the CAO efforts to coordinate the work of the Office of Internal Audit, the Office of the State Auditor, and other external auditors to ensure complete audit coverage, reduce duplication of work, and use audit resources effectively.

- D. **Audit Reports.** Review internal audit reports and summaries of external and internal audit activities. Ensure that management is devoting adequate attention to issues raised.
- E. **Consultations with Auditors.** Review and resolve any significant disagreement between management and the Office of the State Auditor, the Office of Internal Audit, or other external auditors in connection with the preparation of the financial statements or with other audits.
- F. **Request of Audits and Other Reviews.** Request supplemental reviews or other audit procedures by the Office of Internal Audit or other advisors. The university shall provide appropriate funding as determined by the ARCC for payment to advisors.
- G. **Communication.** Provide a direct channel of communication to the Board of Trustees for the Office of Internal Audit and the Office of the State Auditor.
- H. **Chief Audit Officer.** Review and provide input to the Chancellor regarding the appointment, replacement, or dismissal of the CAO, including the CAO's performance evaluation and remuneration.

#### 4. Enterprise Risk Management and Compliance

- A. **Risk Management.** Annually review management's processes with respect to enterprise risk management and meet with the individual(s) responsible for enterprise risk management, as needed.
- B. **Compliance.** Annually review management's processes with respect to compliance and meet with the individual(s) responsible for compliance, as needed.
- C. **Legal Matters.** Consult with the General Counsel to review any risks, compliance, and legal matters that may have a material impact on the university.

#### 5. Information Technology

- A. **Information Technology Governance.** Review and discuss audit activity related to information technology matters and address issues of importance in information technology governance at scheduled meetings. Request information and reporting related to the university's IT governance program, as needed.
- B. **Information Security.** Ensure that information security is addressed in the annual audit planning and risk assessments that are conducted by the Office of Internal Audit. Include, periodically, an agenda item for emerging information security matters at scheduled meetings. Receive a report, at least annually, on the university's information security program and information technology security controls from the designated senior officer with information security responsibility.

The ARCC may modify or supplement these duties and responsibilities as needed.



## Acknowledgments/Signatures

\_\_\_\_\_  
Mr. Malcomb D. Coley, Sr.  
Chair of the Audit, Risk and Compliance Committee  
UNCW Board of Trustees

Date: \_\_\_\_\_

\_\_\_\_\_  
Mr. H. Carlton Fisher  
Chair  
UNCW Board of Trustees

Date: \_\_\_\_\_

## **AGENDA ITEM**

Annual Review and Request for Approval of Internal Audit Charter by Kelly Mintern, Chief Audit Officer

### **Situation:**

Review and request for approval of the UNCW Internal Audit Charter

### **Background:**

As required by the Global Internal Audit Standards, the Chief Audit Officer must maintain an Internal Audit Charter and must discuss the charter with the board and senior management to confirm it accurately reflects their understanding and expectations of the internal audit function. In its governance responsibilities, the Audit, Risk and Compliance Committee approves the Internal Audit Charter.

The proposed UNCW Internal Audit Charter was updated to ensure conformance with the new Global Internal Audit Standards, effective January 2025. The charter was drafted from the Institute of Internal Auditors model charter, with updates made as deemed necessary to align with UNCW practices.

### **Assessment:**

N/A

### **Action:**

This item requires a vote by the committee, with a vote by the full Board of Trustees.

### **Supporting Documentation:**

UNCW Internal Audit Charter

Internal Audit Update PowerPoint Presentation



## **Office of Internal Audit Internal Audit Charter**

Effective: February 6, 2025

### **I. Purpose**

The purpose of the Office of Internal Audit is to strengthen the University of North Carolina Wilmington's (University's) ability to create, protect, and sustain value by providing the Board of Trustees (through the Audit, Risk and Compliance Committee), and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Office of Internal Audit enhances the University's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.

The University's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors (IIA) *Global Internal Audit Standards*, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit, Risk and Compliance Committee (ARCC) of the Board of Trustees.
- Internal auditors are free from undue influence and committed to making objective assessments.

### **II. Standards for the Professional Practice of Internal Auditing**

The Office of Internal Audit will adhere to the mandatory elements of the IIA's *International Professional Practices Framework*, which are the *Global Internal Audit Standards* and *Topical Requirements*. The Chief Audit Officer (CAO) will report periodically to the ARCC and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

### **III. Mandate and Authority**

The University of North Carolina Wilmington is required to establish a program of internal auditing pursuant to North Carolina General Statute (NCGS) 143-746. In addition, UNC Policy Manual 1300.7.1[R], *Regulation Regarding Internal Audit Reporting Relationships at Constituent Institutions*, requires all special

constituent institutions to establish appropriate reporting lines for their respective internal audit functions.

The University's Office of Internal Audit shall be accountable to the Board of Trustees through the Audit, Risk and Compliance Committee (ARCC) and the University Chancellor.

The authority of the Office of Internal Audit is created by its direct reporting relationship to the ARCC. The CAO reports functionally to the ARCC and administratively (i.e., day-to-day operations) to the Chancellor.

The ARCC and Internal Audit Charter authorizes the Office of Internal Audit to:

- Have unrestricted access to, and communicate and interact directly with, the Chancellor and the ARCC, including in private meetings without senior management present.
- Have full, free, and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish audit objectives.
- Obtain assistance from the necessary personnel of the University, as well as other specialized services from within or outside the University, to complete internal audit services.
- Have access to external persons and records as a result of all contracts and grants entered into by the University.

#### **IV. Independence, Organizational Position, and Reporting Relationships**

The Chief Audit Officer (CAO) will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.

The CAO reports functionally to the ARCC and administratively (i.e., day-to-day operations) to the Chancellor. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the ARCC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The CAO will confirm to the ARCC, at least annually, the organizational independence of the Office of Internal Audit. The CAO will disclose to the Chancellor and the ARCC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

#### **V. Audit, Risk and Compliance Committee (ARCC) Oversight**

To establish, maintain, and ensure that the Office of Internal Audit has sufficient authority to fulfill its duties, the ARCC will:

- Ensure the CAO has unrestricted access to and communicates and interacts directly with the ARCC, including in private meetings without senior management present.

- Participate in discussions with the CAO and the Chancellor about the “essential conditions” described in the *Global Internal Audit Standards*, which establish the foundation that enables an effective internal audit function.
- Review and approve the Internal Audit Charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Approve the annual risk-based internal audit plan and significant changes to the plan.
- Receive communications from the CAO on the Office of Internal Audit’s performance relative to its plan and other matters.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Review the internal audit function’s performance objectives annually.
- Make appropriate inquiries of senior management and the CAO to determine whether there are inappropriate scope or resource limitations that impede the ability of the internal audit function to execute its responsibilities.
- Review and ensure the Office of Internal Audit has appropriate budget and staff resources.
- Review and provide input to the Chancellor regarding the appointment, replacement, or dismissal of the CAO, including the CAO’s performance evaluation and remuneration.
- Resolve disagreements between internal audit and management concerning audit findings and recommendations, audit scope, or other aspects of the internal audit activity.

## VI. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the University, including all of the University’s activities, assets, information in any form, and personnel. The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to the Chancellor, the ARCC, and management on the adequacy and effectiveness of governance, risk management, and control processes for the University. Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the University’s strategic objectives are appropriately identified and managed.
- Risk management processes and internal control systems are adequate, effective, and efficient.
- The actions of the University’s officers, directors, management, employees, and contractors or other relevant parties comply with the University’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

The Office of Internal Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the party requesting the service, provided the Office of Internal Audit does not assume management responsibility. Opportunities for improving the efficiency or effectiveness

of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

## **VII. Objectivity**

The CAO will ensure that the Office of Internal Audit remains free from all conditions that threaten the ability of its employees to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and communication. If the CAO determines that independence or objectivity may be impaired in fact or appearance, the details of such actual or apparent impairment will be disclosed to appropriate parties.

The CAO and staff of the Office of Internal Audit will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

The CAO and staff of the Office of Internal Audit will have no direct operational responsibility or authority over any of the activities they review. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the University or its affiliates.
- Initiating or approving transactions external to the Office of Internal Audit.
- Directing the activities of any University employee not employed by the Office of Internal Audit, except to the extent that such employees have been appropriately assigned to internal audit teams or to otherwise assist the internal auditors.

Therefore, the Office of Internal Audit will serve only in an advisory capacity regarding the matters listed above.

Where the CAO has, or is expected to have, roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Safeguards to address potential impairments may include developing alternative processes to obtain assurance related to the areas of additional responsibility, either by assurance services performed by parties outside of the internal audit activity, when feasible, and at a minimum, the CAO will be recused of any oversight role for the assurance engagement.

The CAO and staff of the Office of Internal Audit will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

## VIII. Chief Audit Officer Roles and Responsibilities

### 1. Ethics and Professionalism

The CAO will ensure that internal auditors:

- Apply and uphold the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the University and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the University.
- Report University behavior that is inconsistent with the University's ethical expectations, as described in applicable policies and procedures.
- Conform with the *Global Internal Audit Standards*, with the following qualifications:
  - If the Office of Internal Audit is prohibited by law or regulation from conformance with certain parts of the Standards, the CAO will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
  - If the Standards are used in conjunction with requirements issued by the Institute of Internal Auditors, the CAO will ensure that the Office of Internal Audit conforms with the Standards, even if the Office of Internal Audit also conforms with the more restrictive requirements of the Institute of Internal Auditors.

### 2. Managing the Internal Audit Function

The CAO has the responsibility to:

- Develop a flexible annual internal audit plan, using an appropriate risk-based methodology, including any risk or control concerns identified by management and the ARCC.
- Submit, at least annually to the Chancellor and the ARCC, a risk-based internal audit plan for review and approval.
- Communicate to the Chancellor and the ARCC the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls.
- Communicate to the Chancellor and the ARCC any significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the *Global Internal Audit Standards*.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to policies/procedures/methodologies designed to guide the Office of Internal Audit.
- Ensure the Office of Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the *Global Internal Audit Standards* and fulfill the internal audit mandate.
- Ensure adherence to the University's relevant policies and procedures, unless such policies and procedures conflict with this Charter or the *Global Internal Audit Standards*. Any such conflicts will be resolved or documented and communicated to the Chancellor and the ARCC.

- Ensure adherence to the North Carolina Internal Audit Act (North Carolina General Statute 143, Article 79).
- Provide a mechanism for whistleblowing, including receiving, resolving, and retaining records of complaints.
- Assist and/or conduct the investigation of suspected inappropriate activities within the University in cooperation with General Counsel and other applicable campus units, notify the Chancellor and the ARCC of the results, and report as required to outside agencies.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Chancellor and the ARCC periodically and for each engagement as appropriate.
- Identify and consider trends and emerging issues that could impact the University and communicate to the Chancellor, senior management, and the ARCC as appropriate.
- Coordinate activities, when possible, and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAO cannot achieve an appropriate level of coordination, the issue must be communicated to the Chancellor and if necessary escalated to the ARCC. The Office of Internal Audit generally serves as a liaison between University management and external auditors.

### **3. Communication with the ARCC and Senior Management**

The CAO will report periodically to the Chancellor and the ARCC regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Allocated resources, including the internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence.
- Results from the quality assurance and improvement program, including action plans to address any deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Chancellor and the ARCC.
- Results of audit engagements, advisory services, investigations, follow-up engagements, and corrective actions that have not been effectively implemented.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University.

### **4. Quality Assurance and Improvement Program**

The Office of Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the Office of Internal Audit. The program will include external and internal assessments of the Office of Internal Audit's conformance with the *Global Internal Audit Standards*, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the CAO will communicate to the Chancellor and the ARCC about the Office of Internal Audit's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be



conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

## Acknowledgments/Signatures

\_\_\_\_\_  
Kelly Mintern, CPA, CIA, CISA  
Chief Audit Officer

Date: \_\_\_\_\_

\_\_\_\_\_  
Mr. Malcomb D. Coley, Sr.  
Chair of the Audit, Risk and Compliance Committee  
UNCW Board of Trustees

Date: \_\_\_\_\_

\_\_\_\_\_  
Dr. Aswani K. Volety  
Chancellor  
UNC Wilmington

Date: \_\_\_\_\_

## **AGENDA ITEM**

Internal Audit Update by Kelly Mintern, Chief Audit Officer

### **Situation:**

Update on quarterly activities of the Office of Internal Audit for the quarter ending December 31, 2024.

### **Background:**

This report and presentation are required to fulfill responsibilities of the internal audit function as outlined in the Internal Audit Charter and to facilitate the Audit, Risk and Compliance Committee oversight responsibilities as outlined in the Audit, Risk and Compliance Committee Charter.

### **Assessment:**

N/A

### **Action:**

This item is for information only.

### **Supporting Documentation:**

Internal Audit Quarterly Report

Internal Audit Update PowerPoint Presentation



# **OFFICE OF INTERNAL AUDIT QUARTERLY REPORT**

Report for the Quarter Ending December 31, 2024

University of North Carolina Wilmington

## Executive Summary

This report contains a summary of the Office of Internal Audit's operations for the quarter ending December 31, 2024. The following highlights provide an overview of the office's work.

### Audits/Assurance Services

#### *Completed Projects*

- Friends of UNCW Financial Audit
- Disability Resource Center Review

#### *Pending Projects*

- Minors on Campus Compliance Review
- Purchasing Card Compliance Review

### Follow-Up Audits

- Follow-up work was conducted on the following engagements:
  - IT Change Management
  - Vehicle Allowance
  - Housing and Residence Life
- 5 findings were closed during the quarter
- 9 findings are in process and 6 findings are open as of December 31, 2024

### Investigations

#### *Completed Projects*

- Minor Investigation

### Consultations/Advisory Services

#### *Advisory Services*

- Routine consultations included 9 minor projects and requests for information serving 6 UNCW units, 2 UNC institutions, and 1 state agency.
- 9 individuals from 8 units representing 3 out of 5 of UNCW's divisions attended the Internal Controls course offered by Internal Audit.
- The office was involved with 4 UNCW committees.
- The Chief Audit Officer currently holds the Auditor position for the UNC Auditor's Association (UNCAA) Board.

### Other

- Recruitment efforts are underway for the office's vacant auditor position.
- The office engaged in various activities to provide information and education on fraud awareness during International Fraud Awareness Week.
- The office conducted a self-assessment to review compliance with the newly released Global Internal Audit Standards.
- Individuals from the office attended or participated in 7 University events/functions.
- Individuals from the office participated in various UNCW-offered training programs and external workshops/webinars and conferences, participating in 59 hours of CPE.

| Work Allocation           |                  |                |                                  |
|---------------------------|------------------|----------------|----------------------------------|
| Audits/Assurance Services | Follow Up Audits | Investigations | Consultations/ Advisory Services |

## Audits/Assurance Services

*Audits and assurance engagements include planned reviews of compliance, operations, information technology, financial activity, internal controls, and other topics. They also include integrated audits, which incorporate more than one of those categories in a single engagement. Audits are typically included in our office's annual audit plan (work plan), and they result in a formal audit report which includes an overall opinion of the area under review and any findings and recommendations that were identified.*

## Completed Projects

### *Friends of UNCW Financial Audit*

Our office completed the annual audit of the financial statements of the Friends of the University of North Carolina Wilmington, Inc. (Friends). The engagement was completed with the assistance of East Carolina University to ensure work was completed by someone who is independent in both fact and appearance as required for North Carolina Certified Public Accountants (CPAs).

The audit was conducted in accordance with auditing standards generally accepted in the United States of America and included a review of Friends' compliance with the requirements of a Minor Associated Entity under the policy of the University of North Carolina System. **Friends received an unqualified opinion, and the final report was issued October 4, 2024.**

### *Disability Resource Center Review*

A review of UNCW's Disability Resource Center was completed. The primary objective of the review was to assess and evaluate operations and compliance within the Disability Resource Center, including the underlying internal controls. Specifically, we reviewed and assessed the following:

- Accommodations processes and procedures
- Grievance processes
- Financial operations and budgeting processes
- Monitoring and feedback mechanisms
- Campus education and outreach
- General controls, including system access, document storage, and backup and cross-training

**In our opinion, some improvement is needed for the system of internal control with respect to the areas reviewed within the Disability Resource Center.** There were four findings associated with this review, and we received positive responses from management to the findings. **The final report was issued December 16, 2024.**

## Audits/Assurance Services (Continued)

### Pending Projects

#### *Minors on Campus Compliance Review*

A review of Minors on Campus compliance is in process. The overall objective of the review is to assess compliance with Minors on Campus requirements (as included in UNCW Policy 02.250, *Protection of Minors*) and evaluate operational processes that support compliance.

#### *Purchasing Card Compliance Review*

A compliance review of UNCW's procurement card program is underway. While not originally included in the office's annual audit plan, the audit is being conducted in accordance with the University of North Carolina System Policy 1300.7.2[R], *Regulation on University Procurement and Purchasing Card Programs*, adopted on 11/7/2024. This policy outlines a specific requirement related to audit oversight. The overall objective of the review is to evaluate compliance with the policy and applicable state law.

### Follow-Up Audits

*Follow-up work is completed for any audit findings resulting from audit/assurance engagements and may be completed for other engagements as deemed necessary. We typically follow up on open audit findings on a quarterly basis. A formal memo is issued when all findings relating to an engagement are closed. If findings are not yet resolved, formal memos are also issued approximately one year after the initial audit to update all parties involved of progress.*

### Completed Follow-Ups

#### *IT Change Management*

During fiscal year 2025, our office completed a review of IT Change Management, and one finding related to controls around the documentation of approvals of IT changes was identified. Follow-up work was completed throughout November and December 2024 to determine whether steps were taken to adequately and effectively address the finding identified. Based on the work completed, we determined that the **finding identified is considered resolved**. No additional follow-up procedures will be performed. **A final memo was issued December 9, 2024.**

#### *Vehicle Allowance*

During fiscal year 2025, at management's request, our office completed a review of UNCW vehicle allowances. Based on this review, three findings were identified and reported to ensure compliance with UNCW Policy 08.350, *Non-Salary and Deferred Compensation Policy*, and to enhance controls and oversight over vehicle allowances. Follow-up work was completed throughout November and December 2024 to determine whether steps were taken to adequately and effectively address the findings identified. Based on the work completed, we determined that the **three findings are considered resolved**. No additional follow-up procedures will be performed. **A final memo was issued December 10, 2024.**

## Follow-Up Audits (Continued)

### Audit Finding Status

In addition to the above, during the quarter ending December 31, 2024, follow-up work was also completed related to open and in process findings from the following engagement:

- Housing and Residence Life

The table below displays the status of audit findings for the quarter ending December 31, 2024. A summary of in process and open audit findings is included at Appendix A.

- **Closed** – Findings which were confirmed to be resolved during previous quarters and the quarter ending December 31, 2024. This includes findings where sufficient progress has been made and additional follow-up work is not planned.
- **In Process** – Findings where progress toward remediation has begun but is not yet complete or there is not a sufficient population to test the effectiveness of corrective measures. Movement of findings from 'Open' to 'In Process' requires work to be performed by Internal Audit for verification.
- **Open** – Findings which have not been resolved as of the quarter ending December 31, 2024, or where Internal Audit has not yet performed follow-up work.

| Engagement                     | Original Report Date | Findings from Initial Review | Findings Closed (Previous Quarters) | Findings Closed (Current Quarter) | Number of In Process Findings | Number of Open Findings |
|--------------------------------|----------------------|------------------------------|-------------------------------------|-----------------------------------|-------------------------------|-------------------------|
| <b>Business Affairs</b>        |                      |                              |                                     |                                   |                               |                         |
| Enterprise Risk Management     | 5/22/2024            | 5                            | 0                                   | 0                                 | 3                             | 2                       |
| IT Change Management           | 9/27/2024            | 1                            | 0                                   | 1                                 | 0                             | 0                       |
| <b>Multi-Divisional</b>        |                      |                              |                                     |                                   |                               |                         |
| Campus Safety                  | 6/17/2024            | 6                            | 2                                   | 0                                 | 4                             | 0                       |
| Vehicle Allowance (Consulting) | 9/24/2024            | 3                            | 0                                   | 3                                 | 0                             | 0                       |
| <b>Student Affairs</b>         |                      |                              |                                     |                                   |                               |                         |
| Housing and Residence Life*    | 12/08/2023           | 7                            | 4                                   | 1                                 | 2                             | 0                       |
| Disability Resource Center     | 12/16/2024           | 4                            | 0                                   | 0                                 | 0                             | 4                       |
| <b>Total for all Divisions</b> |                      | <b>26</b>                    | <b>6</b>                            | <b>5</b>                          | <b>9</b>                      | <b>6</b>                |
| <b>Findings % by Status</b>    |                      |                              | <b>23%</b>                          | <b>19%</b>                        | <b>35%</b>                    | <b>23%</b>              |

\*Although the follow-up timeline for closure of audit findings is typically one year, two Housing and Residence Life (HRL) findings remain in process as of quarter ending December 31, 2024. The closure of these findings has been delayed due to extended vacancies in certain positions and the shift to the use of a contracted vendor to address one of the in-process findings. Steps to remediate the outstanding findings have been discussed with the appropriate parties and will continue to be reviewed in the upcoming quarter.

## Investigations

*Investigations result from tips reported to our office via the Office of State Budget and Management's hotline, our internal hotline, the UNC System Office, and other sources.*

## Completed Projects

### Minor Investigations

Minor investigations occur when a complaint is received with no formal reporting requirement, and the complaint can be resolved by obtaining clarifying information or referral to another department. The Office of Internal Audit completed one minor investigation for the quarter ending December 31, 2024.

## Consultations/Advisory Services

*Internal Audit provides consultative and advisory services which are intended to provide advice and information on internal controls, risk management, and sound business practices. This includes reviewing current practices, interpreting policies and procedures, participating on standing committees, completing limited-life projects, attending ad-hoc meetings, and responding to routine questions. In addition, our advisory work includes work with the UNC System Office and professional organizations and serving as liaisons between the University and various external auditors.*

## Advisory Services

### Routine Consultations

The Office of Internal Audit provided advisory services through **9 minor projects and requests for information** during the quarter ending December 31, 2024.

#### Routine Consultations Served:

**6 UNCW Units  
2 UNC Institutions  
1 State Agency**

### INT 101: How to Pass an Audit (An Introduction to Internal Controls)

To proactively educate campus units about best practices for internal controls, we developed and teach a course on internal controls, currently offered through the Finance Certificate Program (via Percipio). Attendance for the quarter ending December 31, 2024, is included to the right.

#### INT 101 Attendees:

**9 employees  
representing  
8 units  
and  
3 out of 5 UNCW divisions**

### Other Advisory Services

Advisory services were also provided through committee work and service to the profession.

| Committee Work   | Service to the Profession   |
|--|---|
| <ul style="list-style-type: none"><li>• Athletic Eligibility</li><li>• Emergency Planning Group</li><li>• HR Liaisons</li><li>• Systems Coordination</li></ul> | <ul style="list-style-type: none"><li>• Chief Audit Officer serving in Auditor position for UNC Auditor's Association (UNCAA) Board</li></ul> |



## Other

*This section contains a summary of the other projects and activities of the Office of Internal Audit.*

### Staffing Changes

During the quarter ending December 31, 2024, recruitment efforts were underway for the office's vacant auditor position.

### Fraud Awareness Week

The week of November 17-23, 2024, was International Fraud Awareness Week. The Office of Internal Audit engaged in activities to provide information and education on fraud awareness. These activities included:

- Updating our department website to provide resources on the common types of fraud and red flags to watch out for, and how to report any suspicious or fraudulent activity.
- Providing a fraud presentation to Staff Senate and attendees of the staff senate meeting on November 13, 2024. The presentation was titled 'Deception Detection: An Introduction to Fraud Awareness' and covered what fraud is, key indicators of fraud, prevention and detection of fraud, and available resources for fraud reporting and education.

### Internal Audit Standards Implementation

The Institute of Internal Auditors (IIA) released new Global Internal Audit Standards, with an effective date of January 9, 2025. During the quarter ending December 31, 2024, we conducted an internal self-assessment of the Office of Internal Audit's conformance with the new Standards. We reviewed the current operational practices of the Office of Internal Audit against the new Global Standards, including assessing the current Internal Audit Charters, Audit Manual, office templates, and activities performed within the past fiscal year for any necessary updates. Where necessary, updates are in process to ensure conformance with any new or enhanced requirements.

### Participation in University Functions

Participating in University functions keeps our office informed of activities and events at UNCW, provides team-building opportunities, and creates an opportunity to interact with the University community outside of an audit setting. During the quarter ending December 31, 2024, staff participated in the functions noted below.

- |   |                                     |
|---|-------------------------------------|
| • Alderman Hall Potluck Gathering                           | • Staff Senate Meetings             |
| • Faculty and Staff Holiday Breakfast                       | • UNCW Library Halloween Open House |
| • Faculty Senate Meetings                                   | • Veterans Day Ceremony             |
| • Farewell and Best Wishes: Chancellor<br>Division employee |                                     |

## Other (Continued)

### Professional Development / Training

Professional development is required for our certifications, and training allows our staff to stay informed of emerging topics and best practices, helping us to provide the best possible services to the University. During the quarter ending December 31, 2024, staff members attended the UNCW-sponsored and external training listed in the table below, **participating in 59 hours of continuing professional education (CPE)**.

| UNCW Training  | External Training  |
|--|--|
| Planning and Self Study Administrative Unit Training     | 2024 Professional Ethics and Conduct   |
| Security Awareness Training                              | 2024 University of North Carolina Auditor's Association (UNCAA) Conference                 |
| "SUPER-VISION": Celebrating Exemplary Leadership at UNCW | Building Trust through Transparency: Exploring the Future of Data Privacy                  |
| Time Management Course: Tomatoes & Time Clocks           | Compliance Hot Topics  |
|  | Do Generative AI and Audit Analytics Intersect?  |
|  | Introducing the New Quality Assessment: Aligned to the New Global Internal Audit Standards |
|  | Professional/Personal Development Courses  |
|  | Project Management for Internal Audit  |
|  | True Crime for the Auditor   |

## Distribution List

Audit, Risk and Compliance Committee, UNCW Board of Trustees

Dr. Aswani K. Volety, Chancellor

Ms. Kristy Burnette, Risk Manager

Mr. Miles Lackey, Vice Chancellor for Business Affairs

Mr. Michael Oblinger, Director, Athletics

Ms. Lori Preiss, Associate Vice Chancellor for Human Resources

Dr. Christine Reed Davis, Vice Chancellor for Student Affairs

Mr. John P. Scherer II, General Counsel

Mr. Eddie Stuart, Vice Chancellor for University Advancement

Ms. Mary Sullivan, Special Assistant to the Chancellor

Ms. Tiffany Tramontozzi, Associate Chief of Staff & Assistant Secretary of the Board

Ms. Andrea Weaver, Chief Marketing and Communications Officer

Dr. James J. Winebrake, Provost and Vice Chancellor for Academic Affairs

## Appendix A

**UNCW Office of Internal Audit**  
**In Process and Open Internal Audit Findings**  
**As of December 31, 2024**

| Engagement                     | Original Report Date | Number of In Process Findings | Number of Open Findings |
|--------------------------------|----------------------|-------------------------------|-------------------------|
| <b>Business Affairs</b>        |                      |                               |                         |
| Enterprise Risk Management     | 5/22/2024            | 3                             | 2                       |
| <b>Multi-Divisional</b>        |                      |                               |                         |
| Campus Safety                  | 6/17/2024            | 4                             | 0                       |
| <b>Student Affairs</b>         |                      |                               |                         |
| Housing and Residence Life     | 12/08/2023           | 2                             | 0                       |
| Disability Resource Center     | 12/16/2024           | 0                             | 4                       |
| <b>Total for all Divisions</b> |                      | <b>9</b>                      | <b>6</b>                |

### Business Affairs

#### *Enterprise Risk Management*

##### In Process Findings

1. Updates needed to UNCW Policy 01.240, *Risk Management Policy*
2. Opportunity to formally articulate risk appetite/tolerance
3. Opportunities for enhancement in risk identification and assessment practices and documentation

##### Open Findings

1. Opportunities to enhance integration of Enterprise Risk Management across the university
2. Opportunity to enhance and formalize risk response protocols

### Multi-Divisional

#### *Campus Safety*

##### In Process Findings

1. Need to clarify requirements and develop a monitoring process for active attacker training for employees
2. Assess active attacker training provided to students enrolled at the university
3. Need to formalize active attacker annex to supplement the base plan of the existing Emergency Operations Plan
4. Updates needed to the Emergency Operations Plan, including completion of building specific Emergency Action Plans

## Appendix A (Continued)

### Student Affairs

#### *Housing and Residence Life*

##### In Process Findings

1. Improvements needed over warehouse controls and inventory reconciliation
2. Enhancements needed in key management practices

#### *Disability Resource Center*

##### Open Findings

1. UNCW Policy 04.190, *Disability Accommodations for Students*, requires updates
2. Opportunity to enhance monitoring and feedback mechanisms within the Disability Resource Center
3. Need to further assess training needs across campus and establish a more formal training program related to disability services
4. User access roles and permissions should be reviewed regularly and be restricted based on business need

## **AGENDA ITEM**

Enterprise Risk Management Update by Kristy Burnette, Enterprise Risk Management Coordinator

### **Situation:**

Update on the university's top identified risks (initially presented to the committee in August 2024) and related mitigation strategies and efforts.

### **Background:**

This presentation engages the Audit, Risk and Compliance Committee in its oversight responsibilities for risk management as outlined in the Audit, Risk and Compliance Committee Charter. It also assists in meeting compliance with UNC Policy 1300.7, University Enterprise Risk Management and Compliance, which requires procedures for providing periodic updates to the Chancellor and the UNCW Board of Trustees.

### **Assessment:**

N/A

### **Action:**

This item is for information only.

### **Supporting Documentation:**

ERM Update PowerPoint Presentation

## **AGENDA ITEM**

FY24 UNCW Financial Audits Update by Jennifer Leung, Associate Vice Chancellor for Finance

### **Situation:**

Update on the fiscal year 2024 financial audits completed for UNCW and its associated entities

### **Background:**

This presentation engages the Audit, Risk and Compliance Committee in its oversight responsibilities for financial reporting as outlined in the Audit, Risk and Compliance Committee Charter.

### **Assessment:**

N/A

### **Action:**

This item is for information only.

### **Supporting Documentation:**

FY24 UNCW Financial Audits Update PowerPoint Presentation  
Associated Entities Overview

## UNCW Associated Entities

|  | FISCAL YEAR ENDED JUNE 30, 2024 * |                                |                       |                               |                       |
|--|-----------------------------------|--------------------------------|-----------------------|-------------------------------|-----------------------|
|  | Assets                            | Deferred Outflows of Resources | Liabilities           | Deferred Inflows of Resources | Net Assets / Position |
| <b><u>Related Parties</u></b>  |                                   |                                |                       |                               |                       |
| The Foundation of the University of North Carolina at Wilmington, Inc. - single member of LLC:<br>Seahawk Investment Strategies, LLC | \$ 8,197,106                      | \$ -                           | \$ -                  | \$ -                          | \$ 8,197,106          |
|  | 2,726,706                         | -                              | -                     | -                             | 2,726,706             |
|  | 10,923,812                        | -                              | -                     | -                             | 10,923,812            |
| UNCW Student Aid Association, Inc. (AKA Seahawk Club)  | 4,052,155                         | -                              | 3,487                 | -                             | 4,048,668             |
| The Alumni Association of the University of North Carolina at Wilmington, Inc.   | 1,048,869                         | -                              | 11,987                | -                             | 1,036,882             |
| Friends of the University of North Carolina at Wilmington, Inc.  | 10,976                            | -                              | -                     | -                             | 10,976                |
| <b>Total Related Parties</b>   | <b>16,035,812</b>                 | <b>-</b>                       | <b>15,474</b>         | <b>-</b>                      | <b>16,020,338</b>     |
| <b><u>Blended Component Units</u></b>  |                                   |                                |                       |                               |                       |
| UNCW Corporation   | 99,327,166                        | 4,444,645                      | 99,327,166            | 4,444,645                     | -                     |
| UNCW Corporation II - single member of LLCs:   | -                                 | -                              | -                     | -                             | -                     |
| UNCW Corporation College Station LLC   | 1,246,000                         | -                              | -                     | -                             | 1,246,000             |
| UNCW Corporation Real Property I LLC   | 1,372,058                         | -                              | 709,351               | -                             | 662,707               |
|  | 2,618,058                         | -                              | 709,351               | -                             | 1,908,707             |
| UNCW Research Foundation - single member of LLCs:  | 7,451                             | -                              | -                     | -                             | 7,451                 |
| UNCW Corporation Research I LLC  | -                                 | -                              | -                     | -                             | -                     |
| UNCW Center for Innovation & Entrepreneurship, LLC   | 489,451                           | -                              | 11,302                | -                             | 478,149               |
| The CREST Millennial Campus, LLC   | -                                 | -                              | -                     | -                             | -                     |
| MARBIONC Development Group LLC   | 162,749                           | -                              | -                     | -                             | 162,749               |
|  | 659,651                           | -                              | 11,302                | -                             | 648,349               |
| The Donald R. Watson Foundation, Inc.  | 1,537,302                         | -                              | -                     | -                             | 1,537,302             |
| <b>Total Component Units</b>   | <b>104,142,177</b>                | <b>4,444,645</b>               | <b>100,047,819</b>    | <b>4,444,645</b>              | <b>4,094,358</b>      |
| <b><u>All Associated Entities</u></b>  | <b>\$ 120,177,989</b>             | <b>\$ 4,444,645</b>            | <b>\$ 100,063,293</b> | <b>\$ 4,444,645</b>           | <b>\$ 20,114,696</b>  |



### UNCW Associated Entities

Establishment is approved by the Chancellor and the purpose is to provide services and activities in support of and in furtherance of the university's educational, research, and public service mission. The UNC Policy recognizes the independence of each entity as being separate from the University and controlled by its respective governing body. LLCs conduct the day-to-day activities and are managed by university officers and/or employees. The single members hold 100% interest in the LLCs.

FISCAL YEAR ENDED JUNE 30, 2024 \*

| EIN #      | Corporation/Foundation   | Associated Limited Liability Companies               | Activities   | Management Structure   | Assets  |
|------------|--|--|--|--|---|
| 56-6050338 | The Foundation of the University of North Carolina at Wilmington, Inc. (single member) of the following: |  | Fundraising to support educational programs and student scholarship opportunities, with particular emphasis on non-cash gifts that the university may be unable to accept on its own | Volunteer Board of Directors   | Cash, investments, real estate, insurance policies, gift annuities and trusts                 |
| 27-4064967 |  | Seahawk Investment Strategies, LLC                   | Investment in securities among sectors of S&P 500  | Advisory Board comprised of 5 representatives from BB&T, UNCW administration, and Cameron School of Business | Equity investments  |
| 56-6075544 | UNCW Student Aid Association, Inc. (A.K.A. Seahawk Club)   |  | Fundraising to support UNCW athletic scholarships and facility improvements  | Volunteer Board of Directors   | Cash  |
| 58-1385518 | The Alumni Association of the University of North Carolina at Wilmington                                 | 10923812   | Support UNCW Alumni Outreach   | Volunteer Board of Directors   | Cash, Investments   |
| 56-6056752 | Friends of the University of North Carolina at Wilmington Inc.   |  | Support UNCW through a merit scholarship and funding special projects of faculty and staff   | Volunteer Board of Directors   | Cash  |
| 20-1949540 | UNCW Corporation   |  | Financing and development of UNCW student housing  | Board of Directors (3 Internal, 3 External)  | Capital lease with UNCW for Seahawk Village, Landing, Crossing, parking deck and retail store |
| 26-2590233 | UNCW Corporation II (single member) of the following:  | 1048869  | Acquisition, development and disposition of UNCW property  | Board of Directors (3 Internal, 3 External)  | Investment in direct financing leases and capital assets                                      |
| 20-5562172 |  | UNCW Corporation College Station, LLC                | Property used by Osher Life Long Learning Institute  | Manager - Vice Chancellor for Business Affairs   | Land & building at 620 S College Road   |
| 20-3904725 |  | UNCW Corporation Real Property I, LLC                | Property used for UNCW operations  | Manager - Vice Chancellor for Business Affairs   | Land & building at 680 S College Road   |
| 26-2590097 | UNCW Research Foundation (single member & sole equity owner) of the following:                           |  | Supporting organization for the development of intellectual property created at UNCW   | Board of Directors (4 Internal)  | Cash and equity interest in faculty start-ups   |
| 37-1615987 |  | UNCW Corporation Research I, LLC                     | None at this time  | Manager - Vice Chancellor for Business Affairs   | None  |
| N/A        |  | UNCW Center for Innovation and Entrepreneurship, LLC | Serve as catalyst for entrepreneurial business growth, jobs and innovations in Southeastern NC by linking emerging, high-growth ventures, entrepreneurs and partner organizations    | Manager - Director of the Center for Innovation and Entrepreneurship   | Cash  |
| N/A        |  | The CREST Millennial Campus, LLC                     | None at this time  | Manager - Vice Chancellor for Business Affairs   | None  |
| 26-3853666 |  | MARBIONC Development Group, LLC                      | Development of UNCW originated intellectual property   | Manager - Director of Office of Innovation and Commercialization   | Cash  |
| 36-4839691 |  | UNCW Innovation Coalition Corporation                | Support the sale of patented research for UNCW   | Board of Directors (3 Internal)  | Cash  |
| 56-1861816 | The Donald R. Watson Foundation, Inc.  | 99327166   | Support student scholarships at UNCW, Duke Medical and St. John's Episcopal Church   | 4444645  | Cash and Investments  |

## **Associated Entities**

### **Establishment of Associated Entities**

North Carolina General Statute Section 116-30.20 governs the establishment of private, nonprofit corporations (“Associated Entities”) to support the constituent institutions of The University of North Carolina and The University System (“UNC”). Section 116-30.20 further provides that each constituent institution may provide available administrative services, equipment, supplies and other resources to the Associated Entity.

### **Definition of an Associated Entity**

UNC adopted policy 600.2.5.2 [R] on November 16, 2005, which was amended on June 25, 2014, on June 8, 2015, on May 11, 2021, and on April 11, 2022 to articulate the standards for governance and operations of Associated Entities (“UNC Policy”). Pursuant to UNC Policy, an Associated Entity is “any foundation, association, corporation, limited liability company (LLC), partnership, or other nonprofit entity that was: (a) established by officers of the University; or (b) that is controlled by the University; or (c) that raises funds in the name of the University; or (d) that has a primary purpose of providing services or conducting activities in furtherance of the University’s mission pursuant to an agreement with the University; or (e) that has a tax-exempt status that is based on being a support organization for the University.”

### **UNCW Associated Entities**

UNCW has established 8 single member legal entities, and an additional 8 LLCs which are blended component units of the single member entities. Each Associated Entity must abide by relevant University policies, undergo a periodic review, meet organizational requirements, have a tax exempt status, have at least one senior officer or designee on the governing board or who sits *ex officio* (either voting or non-voting), maintain financial accounting controls, have independent audits, and submit annual financial reports to the Chancellor and UNC System Office.

### **University Involvement**

The Chancellor determines whether to establish an Associated Entity and is responsible for ensuring that the relationship between the University and Associated Entity is cooperative and mutually beneficial. In accordance with the UNC Policy, the Chancellor must provide written approval prior to establishing an Associated Entity. For each of the University’s Associated Entities, the Chancellor has executed a Memorandum of Understanding, which among other things, establishes the purpose of the Associated Entity, the resources and services the University shall provide to the Associated Entity and outlines the terms governing the distribution of assets upon dissolution of the respective Associated Entity.

In some instances, the University has designated University officers to hold positions on an Associated Entity’s board of directors by virtue of the positions such officers hold with the University. Other University employees may indirectly be involved with the Associated Entity through the sharing of reporting systems such as advancement gift processing, purchasing or accounts payable.

### **Organizational Structure and Financial Reporting**

Each Associated Entity has a unique purpose and provides important benefits or services to the University. Each Associated Entity’s classification is based on Governmental Accounting Standards Board (“GASB”) guidance. This requires an analysis of the Associated Entity’s board composition, including both university and non-university affiliated directors, fiduciary control by the University, fiscal dependency, and other criteria to determine if they are considered independent (“related party”) or an extension arm of the University (“component unit”).

GASB requires recognition of our connection with these Associated Entities in the University’s financial statements. The University includes financial contributions and services it receives from an Associated Entity deemed a related party in the University’s financial statement footnotes, but it does not recognize their operational activities, assets or liabilities. On the other hand, the University’s financial statements for the Associated Entities that are deemed component units are more inclusive and their financial activities, assets, and liabilities are blended with the University.

### **University Control of Associated Entities**

The UNC Policy recognizes the independence of each Associated Entity as an organization that is separate from the University and controlled by its respective governing body; provided, however, its approved status may be removed for failure to abide by applicable policies, procedures, rules, laws, and/or regulations of UNCW or the UNC System. In the event the Associated Entity’s approved status is removed, then it shall be dissolved and all of its assets shall be distributed in accordance with its respective organizational documents.